

Digitalization in Investment: Reworking and Rethinking of Retail Investors Investments in Multiple Funds via Digital Channels

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Abstract:

The study represents the digitalization of financial market (FMs) and financial intermediaries (FIs) must enhance the investor toward digitalization and scope of investment though digitalization of investment pattern. It would evaluate the effect of digitalization on interaction and performance of investor to achieve their investment goals. The digitalization in financial services allow the investor to have greater access to primary and secondary market information, investment funds, rates and prices of funds and/or instrument, and the investor can easily personalize their own investments. The direct and personal touch with markets presents new investment opportunities, as the investor may make good or poor decisions. The FMs and FIs need to concern with investor and other intermediaries to create new ways of communication and development in investment decision making and execution of the same. The study should try to focus on the varied areas of digitalization has been taken placed, also suggest for improvements. This paper aims to

answer: Does digitization has resulted to increase market share, number of Investor financial agents, number of new customers or investor. In second part, it will explore: Does digitization has improved the ease of dealing in stock market.

The results will be based on primary as well as secondary data. We should use statistical tools like T-test, Chi-Square test, co-relation, and descriptive statistics.

Key Words: Digitalization, Investment, Financial Market

Introduction

After Covid-19, Digitization has resulted in the unraveling of a new model in which businesses are reaching out to their customers in new and cost-effective ways. It was expected that business will be able to achieve higher level operational efficiency and profitability with degitalization. The best example is Digitalization in Indian financial services. The Stockbroker, Asset Management Companies, brokers, agents, stock markets, investment banks, banks, financial institutes, Financial Advisors, and distributors are the prominent stakeholders in a primary as a well secondary market. The stakeholders play an important role in the smooth functioning of the capital market, especially for investment. Digitization is needed to develop inter-relationships and the functioning of the said stakeholders in relation to the achievement of individual goals. Financial Advisor responsible to interact with his client so that during purchase, sales and execution of order, there can be an uninterrupted flow of information. it will also attempt to describe the various areas in which digitization has to be taken place in the future, an attempt will be made to identify areas where digitization can be beneficial to investors as well as investees. Digitization has resulted in more sales in terms of assets under management, number of agents, number of customers (New as well as regular), and number of foreign country-based customers. Further digitization has increased the effortlessness of dealing in the stock market, banking, mutual funds, etc.

The effect of digitization on the Indian Financial industry can be investigated by considering its effect on the industry's stakeholders, and the possible effect on the key players can be understood in the following elaboration.

1. **Mutual Fund Companies:** Mutual fund companies would like to reduce the amount of paperwork, even if not complete elimination it. Mobile applications, Social media, and social media influencers, instant messengers are the ways for AMCs to collaborate with customers and clients. Mutual fund companies like all the transactions to take place on the digital platform i.e. Source of funds or fund transfer, buying and selling of MF.
2. **Financial Advisors:** The Financial Advisors in the Indian Financial Markets can be broadly classified into Individual Financial Advisors or National Distributors. IFA and ND are two basic structures that make a significance difference when it comes to their ability to integrate digitization into their respective business models. The ND¹ would be able to use BSE/NSE², a digital platform that allows distributors to sell or switch funds on behalf of their clients, for example, as long as they are members of BSE, while IFA³s would not be able to do the same.
3. **Registrar & Transfer Agents:** an RTA⁴ has the ability to assist the AMC⁵ in data management and transaction processing. It strives to achieve zero error in its endeavor. Nevertheless, an error here or there is inevitable due to the human element. If the entire process is digitized, it would turn into a zero-error scenario if the entire process were digitized.
4. **Banks:** Banks act as intermediaries to raise funds from investors and channel them to the markets. Digitization has enhanced this business to the fullest extent. Fund houses, RTAs, and investors have

¹ National Distributors

² BSE=Bombay Stock Exchange, NSE=National Stock Exchange

³ Individual Financial Advisor

⁴ Registrar and Transfer agent

⁵ Asset Management Companies

all profited from the digital advantage because every transaction needs to must be routed through banks.

5. Investors: Due to advance technology, Investors can access information very fast, this ability allows them to save money on upfront costs, exchange, Invest and withdraw funds via the internet and they have the option to invest funds. They remain the most benefited group. The financial industry, therefore, the costs and benefits of digitization are varied and conflicting.

Review of Literature

The literature review mainly focused on online articles and verified blog posts, books, and columns. The reviews are available in research papers on digitization and the financial market, but nothing concrete is defined. The platform like Quora and the focused group is founded as the subject matter for the study. The data has been collected through adaptive variables and structured questionnaires in a digitized world, the MF industry has encountered the following questions or challenges in a digital world.

The surplus of investible money can produce an adequate pie in the stock market at a high rate of expansion. Traditional investments still dominate the list. The investment marketing mix needs to be figured out in order to take the leap from the current household surplus. the stock market is dominated by metro and mini metro cities, as well as retailers where a few items are popular. Hence, investor participation is restricted to a few fund categories only. Frontline salespeople aren't always certain about the right combination of products and customer needs. the majority of stock market products are less investigated by retail investors. Rural India remains a distant fantasy for new investors and retailers.

Research Methodology

The primary data was collected by survey method from 30 respondents, representing each stakeholder, through three different questionnaires broadcast to representatives, advisors, and investors. Each stakeholder was given a separate questionnaire, and data was collected from them in groups of 30 each. The total sample size is 30. Since the point of view of the representatives is considered significant, the sample size is limited for better understanding. The questionnaire had a total of 12 common questions for stakeholders, and they were analyzed to determine the perceptions and convergence among the stakeholders' perceptions. The purposeful sampling method was used for the survey.

Data tabulation and interpretation:

The collected responses were coded and tabulated for analysis and interpretation.

1. Digitization makes KYC compliance easier

| Q. 1 | Dealer / Broker | Financial Adviser | Investor | Average |
|------------|-----------------|-------------------|----------|---------|
| Mean Value | 3.05 | 4.75 | 5.70 | 4.40 |

The government has been focusing heavily on regulatory issues, and the differences between the versions and formats of the regulations have been a source of frustration for investors and other stakeholders. Digitization has provided relief to the majority of stock market participants. Nevertheless, the dealers, brokers, and sub-brokers haven't been overly optimistic in their responses to the groups of respondents. Despite this, there is consensus that digitization has improved compliance's ease.

2. Digitalization has led to greater transparency in the investment sector.

| Q. 2 | Dealer / Broker | Financial Adviser | Investor | Average |
|------------|-----------------|-------------------|----------|---------|
| Mean Value | 3.70 | 4.55 | 4.50 | 4.25 |

Generally speaking, there seems to be some consensus among investors and analysts about the fact that digitization has resulted in more transparency in the stock market and in the investment world in general. The dealers, brokers, and sub-brokers muted a response that could have resulted in a significant number of disclosures required by SEBI, especially for stock market intermediaries, for more than a decade. Despite the positive undertone, there is a general consensus that accountability has improved.

3. Digitization has increased trust among investor to invest in stock market

| Q.3 | Dealer / Broker | Financial Adviser | Investor | Average |
|------------|-----------------|-------------------|----------|---------|
| Mean Value | 3.10 | 4.10 | 4.05 | 3.75 |

Digitization hasn't been particularly helpful in gaining investor confidence and interest from potential investors. The trust has been built on the solid results of stock market returns and word-of-mouth publicity that comes with it. Stock market investors are having a unique sense that they buy hope and nothing else. Among investors, trust is known to be one of the biggest issues, so trust plays a vital role, and investors are more likely to trust the advice of their advisors rather than rely on the system that manages the stock market.

4. Digitalization has attracted rural and remote people

| Q. 4 | Dealer / Broker | Financial Adviser | Investor | Average |
|------------|-----------------|-------------------|----------|---------|
| Mean Value | 2.75 | 3.75 | 4.65 | 3.72 |

It is crucial for any product or service to succeed in India that the rural population is involved in the development process. Unlike the stock market, they are no different. Interestingly, Advisors or Brokers who actually source the monetary support are optimistic about the contribution from rural India.

5. Digitization has allowed to access information.

| Q. 5 | Dealer / Broker | Financial Adviser | Investor | Average |
|------------|-----------------|-------------------|----------|---------|
| Mean Value | 4.50 | 4.55 | 4.70 | 4.58 |

The stock market is particularly a knowledge-based industry, such as the equity market, F & O, mutual funds, can be enhanced by access to knowledge and information. With the advent of digitization, it has become possible to present information in an engaging manner, as well as to disseminate it to a larger audience. As a result, the investment industry and the capital markets have become more aware of and understanding of developments in these areas.

6. Digitization has helped to manage number of complaints

| Q. 6 | Dealer / Broker | Financial Adviser | Investor | Average |
|------------|-----------------|-------------------|----------|---------|
| Mean Value | 3.05 | 4.00 | 3.70 | 3.58 |

In sum, there seems to be no agreement or dissatisfaction among the market intermediaries. There could be a number of reasons for this including the fact that the industry is still in its growth phase and hasn't yet matured. New investors aren't familiar with the operation of the stock market and therefore have reservations. Similarly, direct investing is also on the rise as a result of the SEBI directive, which has reduced the cost for non-loading direct investors.

7. Digitization has allowed more faster, efficient, and precise process of transactions

| Q. 7 | Dealer / Broker | Financial Adviser | Investor | Average |
|------------|-----------------|-------------------|----------|---------|
| Mean Value | 4.25 | 4.75 | 4.75 | 4.58 |

The stock market transaction was done manually for almost a decade or more, and human error cannot be ignored. The KYC process has been implemented in every financial institution and is being carried out flawlessly. This will enable secure transactions. As a result, all respondents agree that digitization has made transactions faster, more efficient, and more precise.

8. Digitization has helped to customize the services to different investors.

| Q. 8 | Dealer / Broker | Financial Adviser | Investor | Average |
|------------|-----------------|-------------------|----------|---------|
| Mean Value | 3.75 | 4.25 | 4.25 | 4.08 |

Every company faces a challenge to satisfy customer needs because customers are diverse and unique. However, digitalization has been extremely helpful in assisting customers. Digitization has shown a higher level of agreement among distributors who have benefited from it. The impact of technology, particularly digitalization, on their lives is enormous. It has become apparent to distributors that they can now provide superior service to their clients because of this change in technology. There has also been a consensus among investors that digitization has allowed for the provision of customized services.

9. Digitization helps to get faster updates about the economic condition

| Q. 9 | Dealer / Broker | Financial Adviser | Investor | Average |
|------------|-----------------|-------------------|----------|---------|
| Mean Value | 4.55 | 4.25 | 4.75 | 4.52 |

The faster updates regarding industry and economic developments should be a natural benefit of digitization. There are many factors that make the stock market a knowledge-based industry where crucial and important information is needed for achieving high returns in the market. We have received a high level of agreement from AMCs, consultants, and investors that they should be informed timely about the state of the industry and the economy.

10. Digitization has minimize response time among intermediaries.

| Q. 10 | Dealer / Broker | Financial Adviser | Investor | Average |
|------------|-----------------|-------------------|----------|---------|
| Mean Value | 4.85 | 4.65 | 4.50 | 4.67 |

Several services are available in the stock market, such as dividends, non-receipt of complete brokerages, other valuation updates, and SEBI compliance requirements. Digitization has enabled respective parties to obtain their desired piece of information. Consequently, in accordance with the question statement, all the groups of respondents have agreed that it is accurate.

11. Does on investment are safe and secure?

| Q. 11 | Dealer / Broker | Financial Adviser | Investor | Average |
|------------|-----------------|-------------------|----------|---------|
| Mean Value | 3.50 | 3.00 | 4.25 | 3.58 |

There is a surprising fact about online investing in spite of the general harmony that there are many benefits to digitization, and that is that brokers, sub-brokers, and advisors, who are supposed to be more knowledgeable than investors about online investing, are unconvinced that it is safe. Although the overwhelming majority of investors agree that online investing is safe, it is encouraging to see that the majority of them agree that there is no risk involved. Almost two decades have passed since share trading was conducted electronically. Neither fraud nor mismanagement have been alleged to have occurred.

12. Do you believe that Indian Cyber Security is capable enough to detect fraud in digital investments

| Q. 12 | Dealer / Broker | Financial Adviser | Investor | Average |
|------------|-----------------|-------------------|----------|---------|
| Mean Value | 2.75 | 2.50 | 2.50 | 2.58 |

The general perception of the legal system in India has been characterized by a great deal of distrust. Despite this lack of confidence, the cybersecurity infrastructure has been no exception to this fear. The AMCs are the only ones who haven't clarified their position. Nevertheless, advisors as well as investors disagree on India's current cyber security infrastructure's ability to detect fraud.

Hypothesis Testing

H_0 : There is no significant transformation in the perception of increased confidence in stock market investment due to digitization

t-Test: Two-Sample Assuming Equal

Variances

| | <i>Dealer /</i> | |
|------------------------------|-----------------|-----------------|
| | <i>Broker</i> | <i>Investor</i> |
| Mean | 3.668 | 4.20 |
| Variance | 0.479 | 0.412 |
| Observations | 30 | 30 |
| Pooled Variance | 0.445 | |
| Hypothesized Mean Difference | 0 | |

| | |
|---------------------|---------|
| df | 58 |
| t Stat | -3.0661 |
| P(T<=t) one-tail | 0.00164 |
| t Critical one-tail | 1.672 |
| P(T<=t) two-tail | 0.003 |
| t Critical two-tail | 2.002 |

t-Test: Two-Sample Assuming Equal

Variances

| | <i>Financial</i> | |
|------------------------------|------------------|-----------------|
| | <i>Adviser</i> | <i>Investor</i> |
| Mean | 4.01 | 4.20 |
| Variance | 0.489 | 0.412 |
| Observations | 30 | 30 |
| Pooled Variance | 0.450 | |
| Hypothesized Mean Difference | 0 | |
| df | 58 | |
| t Stat | -1.116 | |
| P(T<=t) one-tail | 0.1345 | |
| t Critical one-tail | 1.672 | |
| P(T<=t) two-tail | 0.269 | |
| t Critical two-tail | 2.002 | |

Taking a look at the p-value ($p > 0.05$) in the t-test tables, the H_0 cannot be rejected. It is therefore clear that there is a fundamental problem in the minds of stakeholders. This is because digitization has not led to an increase in stock market investment.

H_0 : There is no relation between the use of trading apps and security for online Investment due to digitization

t-Test: Two-Sample Assuming Equal Variances

| | <i>Use of Trading</i> | <i>Online</i> |
|---------------------|-----------------------|-------------------|
| | <i>App</i> | <i>Investment</i> |
| Mean | 3.836 | 4.076 |
| Variance | 0.406 | 0.368 |
| Observations | 30 | 30 |
| Pooled Variance | 0.387 | |
| Hypothesized Mean | | |
| Difference | 0 | |
| df | 58 | |
| t Stat | -1.498 | |
| P(T<=t) one-tail | 0.069 | |
| t Critical one-tail | 1.672 | |
| P(T<=t) two-tail | 0.139 | |
| t Critical two-tail | 2.002 | |

According to the p-value ($p > 0.05$) for the t-test tables, this means that the hypothesis cannot be rejected. Thus, we can conclude that as long as an investor perceives the risk involved when making an online investment, he will be able to make informed decisions based on the information available to him through digitization

Conclusion:

There is a sense of cooperation and result that is relevant to the stock market and investment, and this is especially true given the growth of economies in other developing and developed countries at the same time. The authors argue that if they want to attract investment while also developing economies, they must use digitization. Ultimately, trust and knowledge issues must be addressed collectively. "No problem" isn't enough. During digitalization, the entire product and marketing mix must be revived and revised to gain more benefits from investors, either HNW or retailers. After all, digital transactions result in greater transparency, greater dissemination, and optimization of economic resources.

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